
CITY OF CANBY
BUDGET COMMITTEE MEETING
May 15, 2025

Committee Members Present: Brian Hodson, Mayor; Kim Wiegand, Budget Committee Chair; Traci Hensley, City Council President; Paul Waterman, City Councilor; Jack Pendleton, Budget Committee Member; David Tate, Budget Committee Member; Shawn Varwig, Budget Committee Member; Daniel Stearns, City Councilor; James Davis, City Councilor; Jason Padden, City Councilor (attended virtually), and Herman Maldonado, City Councilor (attended virtually).

Committee Members Absent: Elizabeth Chapin

Staff Present: Eileen Stein, City Administrator; Scott Schlag, Finance Director; Katy Joyner, Financial Analyst; Jessica Roberts, Court Supervisor; Jose Gonzalez, Police Captain; Eric Laitinen, Aquatics Program Manager; Jorge Tro, Police Chief; Don Hardy, Planning Director; Monica Stone, Wastewater Treatment Plan Supervisor; Marisa Ely, Library Director; Jamie Stickel, Economic Development Director/ Communications Specialist; Todd Wood, Transit & Fleet Director; Tyler Nizer, Economic Development and Tourism Coordinator; Spencer Polack, Public Works Supervisor; Ryan Potter, Planning Manager; Maya Benham, Administrative Director/ City Recorder; and Teresa Ridgley, Deputy City Recorder.

CALL TO ORDER: Chair Wiegand called the meeting to order at 7:05 p.m., followed by a roll call.

OLD BUSINESS:

1. Approve Minutes from the May 16, 2024 Budget Committee Meeting.
2. Approve Minutes from the May 23, 2024 Budget Committee Meeting.
3. Approve Minutes from the May 30, 2024 Budget Committee Meeting.

****Council President Hensley moved to approve the May 16, May 23, and May 30, 2024, Budget Committee meeting minutes. Motion was seconded by Councilor Waterman and passed unanimously.**

NEW BUSINESS:

A. Elect Budget Committee Chair

****Council President Hensley nominated Kim Wiegand as Budget Committee Chair. Motion was seconded by Councilor Waterman and passed unanimously.**

B. Elect Budget Committee Vice Chair

****Council President Hensley nominated Councilor Jason Padden as Budget Committee Vice Chair. Motion was seconded by Councilor Maldonado and passed unanimously.**

C. Receive Budget Message

- 1) Eileen Stein, City Administrator, discussed that National, state, and local economic outlook in regard to inflation and cost of goods and services, demographics, capital projects, grant opportunities, goals, revenue assumptions, and labor assumptions drive the budget.

She mentioned the national, state, and local economic outlook with inflation coming down some, but there was still a lot of uncertainties going on at the federal level in regard to tariffs and price increases and the uncertainty of costs increasing and decreasing.

Shared were the five Council Goals for 2025-2027, revenue assumptions from FY 24-25 to FY 25-26, citywide expenses, and labor assumptions from FY 24-25 to FY 25-26.

Revenue assumptions shared were:

- 1) Property taxes going from \$7.955 to \$8.394
- 2) Utility charges going from \$5.730 to \$5.745
- 3) Intergovernmental going from \$4.436 to \$4.569
- 4) Infrastructure charges from \$4.183 to \$3.764
- 5) Charges for service from \$3.132 to \$2.870
- 6) Fund balance from \$50.300 to \$47.537

Next Shared were City Wide Expenses by Category totaling \$95,643,631

- 1) Personnel \$17,886,850
- 2) Materials and Services \$11,755,145
- 3) Capital Outlay \$28,514,500
- 4) Debt Service \$15,000
- 5) Special Payments \$25,000
- 6) Transfers Out \$14,296,053
- 7) Operating Contingency \$805,536
- 8) Reserved for Future/Fund Balance \$22,345,278

Labor Assumptions from FY 24-25 to FY 25-26

- 1) FTE Allocations Changes 109.3 to 103.7
- 2) Wages and benefits \$17.726 to \$17,886
- 3) COLAS 3.6% to 5%
- 4) Health Insurance 10% to 10%
- 5) PERS 5-8% to 15-22%

Ms. Stein mentioned that since it was a bridge year with the City expecting to benefit from the closure of the Urban Renewal District (receiving \$1 million in Urban Renewal next year), the decision to avoid layoffs or reductions in force, would intentionally lower the strategic reserve to 15%. A comprehensive discussion on what the committee's service priorities were needed to make further reductions. She mentioned considering the process of labor agreements which were outstanding. She wasn't confident cutting back a certain percentage over the whole budget would accomplish what the Council wanted. She felt more comfortable with the Council determining what they wanted to cut.

Councilor Stearns asked for the ending fund balance and the cause of the Reserve moving from 42% to 15%. Mr. Schlag responded it was based on the best guess from each Director of what they expected in expenses and revenues. Materials and services were outpacing even though they were seeking grant revenue and looking for more revenue to offset the cost of materials and services.

Councilor Davis mentioned there were reserves set by previous Councils when they were experiencing financial difficulties. He mentioned the budget presented increased 2 FTEs,

PERS rates increasing, and uncertainties regarding labor negotiations and projects that had already been cut and suggested to adjourn the meeting and direct the budget officer to prepare a budget without reducing the reserve account. He mentioned a \$3.1 million budget shortfall presented at the Mid-Year Budget Review and was not convinced there wasn't one. He suggested using the Reserve Account to support the shortfall.

****Councilor Davis motioned to remand the budget back to budget officer to prepare a budget without reducing the reserve account. Motion was seconded by Council President Hensley and was approved unanimously. Motion passed.**

Councilor Padden suggested having different options on how to fix the budget issues. He was concerned about further projection and having a strategic plan using previous budgets to project for the next several budgets to get the Reserve back to where it was.

Discussion included keeping the reserve at 20-25%. Councilor Waterman mentioned the national standard for healthy cities had a reserve at 16.7%. Mayor Hodson mentioned the URA money coming in had been thrown around but had not been decided. The question came up as to what the two new hires for the upcoming budget were. Mr. Schlag responded it was for a new police officer, which was fully reimbursable from Tri-Met. Chief Tro said it would bring in revenue and would explain it when the time came. It was believed the second one was moving a general fund Parks position to Wastewater. Mayor Hodson asked what the impact to the budget was to keep the Reserves. Mr. Schlag responded many variables that had not been determined, such as no updated collective bargaining agreement with unknown COLAs. The COLAs were estimated at 5% to cover what was determined in the bargaining agreement. To get to 20% Reserve, the general fund budget would need to be cut 15% completely, resulting in approximately \$678,000. Council President Hensley stated page 44 showed the projected for 2025 being \$11.4 million with a 42% fund balance, yet the adopted budget on page 39 was \$15.5 million with a 23% ending fund balance. Mr. Schlag responded there was a correction made from last year's budget, which had a cell that was not added in the Excel file, and the number in this year's budget was the correct. Last year's was not correct because of a police budget employee benefit not added into the Excel file. Mr. Schlag stated he made the correction this year. Council President Hensley stated the difference was \$4 million not \$30,000. Mr. Schlag also stated corrections were made because things were included into operating revenue were not considered operating revenue, and that was the reason for the caveat added to the bottom of the page stating operating revenue excluding beginning fund balances and transfers and other sources in accordance with the GFOA and Oregon accounting manual as a best practice. The \$15.5 million should actually be \$11.6 million because there were excluded amounts because it was not operating revenue. Mr. Schlag stated he corrected numbers to give the most accurate data this year.

Ms. Stein asked the Council and Budget Committee to ask the Directors questions about what things could be cut to determine the \$678,000 reduction. Councilor Padden suggested each Director identify 3 things in their department which could be reduced and what impact each reduction would have on services moving forward. He also suggested budget committee members provide their questions for the city to be prepared for the next meeting. He asked if the citizen budget committee members were comfortable with the Council working with the details with the city and bringing them back to the Budget Committee. There was no consensus.

****Councilor Davis motioned to remand the budget back to budget officer to prepare a budget without reducing the reserve account. Motion was seconded by Council President Hensley and was approved unanimously. Motion passed 10-2 (Member Tate and Councilor Padden voted no.).**

Member Tate asked about page 4 regarding the property taxes and which portions came from residential vs commercial vs industrial. Mr. Schlag responded he didn't have that information but Clackamas County would have that information. Member Tate said the reason he asked if 75% of the property taxes came from residential, maybe cuts should be determined to affect commercial or industrial properties.

Councilor Padden suggested Directors return with cuts representing 5%, 10%, and 15%. Prep work was needed to steer the conversation.

Further comments included returning with a better plan and allowing the Council to determine if the Reserve fund would be reduced. It was decided to cover budgets of non-General Fund accounts and return with a reworked budget to present to the Budget Committee.

D. Review FY25-26 Proposed Budget

Items 1-3 were skipped due to their connection with the General Fund.

4. Transit Fund – Member Pendleton asked what the result would be if the federal government decided to cut funding and how that would affect Transit dependent on federal grants. Todd Wood, Fleet/Transit/IT Director, responded that the smaller portion of the budget was funded by federal grants. He said according to ODOT, the federal government would fund the 5311 and 5310 for FY 26, but not yet for FY 27. He mentioned most of the funding was from payroll tax, \$2 million. \$1 million was from federal grants. Mr. Wood stated he had a good idea how to plan for transit services in the event of cuts. He also mentioned his concerns were with STIF funds from TriMet due to reduction of business in Portland which would affect the funding. The biggest increase in costs was with the contractor which included labor. Currently there were only three service providers willing to bid on small organizations. It's rare to get lower costs because of personnel costs and benefits from union negotiations. The contractor was dropped by CIS because the drivers were not city drivers, so they had to procure outside insurance which increased insurance costs. Mayor Hodson asked about the determination of the payroll tax. Mr. Wood responded it was the Council's decision to increase payroll tax. The increase had not occurred in the 22 years since transit was pulled out of TriMet. The rate was currently \$6 per \$1,000 payroll.
12. Fleet Services Fund – Mr. Wood stated costs were kept low. However, they were bound by rule prices. The budget came from activity of the police, transit and public works.
13. Tech Services Fund – Mr. Wood stated there were 80 PCs (costing \$90,000) at end of life but there was only a budget to replace 25 (costing \$30,000). The life cycle of computers was 5 years. Other costs such as software were difficult, increasing prices up to 5%.

5. Swim Center Fund – Eric Laitinen, Aquatic Program Manager, stated the budget was similar except the improvement included dressing rooms. The improvements would be a facelift instead of a larger renovation. The money came from their Reserves, still leaving money for unexpected items. Member Pendleton asked about the decrease in FTEs and contract service increase. Mr. Laitinen responded part-time staff, guards, and instructors had moved to a payroll service vs being city staff.
6. Street Fund – Spencer Polack, Public Works Supervisor, started with capital outlay stating they are trying to purchase a bucket truck. They were planning to purchase in August. The older truck was no longer able to have replacement parts. They also were asking for a crack sealer. The amount for Street Maintenance Fee projects was built up to get better pricing for larger projects. The Ivy sidewalk overlay project was \$1,492,000 set by the County for the next budget cycle. The project was on track to be completed in October. The Industrial Park to 99E Walnut Street Extension had gone out to bid, and the first reading was approved by Council last week. The 10th Avenue, Locust to Pine, was underway and there are amounts that would go into the next budget cycle. The fuel station was a Council Goal after the ice storm to have onsite fuel in case of another disaster. The last project was an asset management program to track the infrastructure on a management plan to determine service life.

Member Pendleton asked about the gas tax revenue cuts and if they were decreasing. Mr. Schlag responded looking from the last 10 years, it was more of an educated guess. Mr. Pendleton also asked why miscellaneous income jumped around. Mr. Schlag stated it was usually not counted on coming in. If it's larger, it should be its own line item. Ms. Joyner stated the increase was an additional 25% from the State for an ice storm because the City initially received 75% as well as receiving revenue from URD alleyway project because they were funding that project. Also received was a refund of \$7,700 for a dump truck hitch.

Councilor Padden asked for follow-up at the next meeting about the asset management program that could be used as a reminder of when things needed to be replaced on master plans and park master plans. Monica Stone, WWTP Supervisor, responded it did not have that ability.

ADJOURN: The meeting was recessed at 9:02 p.m.